EX PARTE OR LATE FILED

TCG

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April 11, 1997

RECEIVED

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Federal Communications Commission
Office of Secretary

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, DC 20554

RE: Notification of Written Ex Parte Communication: Access Charge Reform
CC Docket No. 96-262

Dear Mr. Caton:

Today, on April 11, 1997, Robert Atkinson, Senior Vice President-Regulatory and External Affairs and Judith Herrman, Manager-Federal Regulatory Affairs sent, via hand delivery, the attached letters regarding Access Charge Reform to Chairman Hundt, Commissioner Chong, Commissioner Ness, Commissioner Quello and the individuals listed below. In these letters, TCG recommended reforms to the Residual Interconnection Charge (RIC). An original and two copies of this letter are being submitted in accordance with Sec. 1.1206(a)(1) of the Commission's rules.

Thank you very much for your assistance in this matter.

Sincerely,

Judith Herrman.

Judith E. Herrman
Manager, Federal Regulatory Affairs

cc(letter only): Chairman Hundt
Commissioner Chong
Commissioner Ness
Commissioner Quello
Tom Boasberg
Dan Gonzalez
Jim Casserly

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Richard Welch
Pat DeGraba
John Nakahata
Jeff Lanning

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Robert C. Atkinson
Senior Vice President
Legal, Regulatory & External Affairs

Teleport Communications Group
Princeton Technology Center
429 Ridge Road
Dayton, NJ 08810
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Email: atkinson@tcg.com

April 11, 1997

Commissioner Rachelle Chong
Federal Communications Commission
1919 M Street, N.W., Room 844
Washington, D.C. 20554

EX PARTE CORRESPONDENCE

Dear Commissioner Chong:

When I visited you on March 24, 1997, we discussed how reforming the Residual Interconnection Charge (RIC) is not only required by the Court of Appeals in its CompTel decision, but would be the most effective way for the FCC to encourage competitive pricing of a major element of switched access services as well as providing a "catalyst" for the development of facilities-based local exchange competition. During the discussion, I generally talked about "moving the RIC" from an End Office rate element to Tandem Switching or Tandem Transport rate elements. However, the last "bullet point" on the Residual Interconnection Charge page of TCG's handout suggested an alternative means of reaching the same pro-competition result:

- If the RIC continues to be inappropriately assigned to the End Office, then as the Colorado Commission has mandated, ILECs should not be allowed to collect the RIC charges from facilities-based CLECs that provide their own switched access transport facilities

After discussions with a number of other interested parties, TCG has come to the conclusion that the "Colorado Solution" should be the means by which the FCC implements RIC reform.

In its "Decision Regarding Petition for Arbitration" (Decision No. C96-1186, Docket No. 96A-329T, adopted Nov. 5, 1996) concerning the interconnection disputes between TCG and US West Communications (USWC), the Colorado PUC said (at 41):

> Specifically as to the RIC, if USWC provides all or part of the transport of an interstate call from the end-office to the IXC, then USWC is entitled to collect its interstate rates, including RIC. If, however, USWC is not providing the transport of a call from an end-office switch to an IXC, then USWC may not apply its switched access transport rates, including the RIC, to those calls. We reject arbitrary splits of revenues. In jointly provisioned switched access services, each company will develop and apply its tariffed rates to the portion of the service that it provides.

In a subsequent "Order Denying Applications for Rehearing, Reargument, or Reconsideration", (Decision No. C96-1344, Docket No. 96A-328T, adopted Dec. 18, 1996) the Colorado Commission said (at 5):

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The chief advantage of the Colorado Solution, compared to a "move the RIC" solution, is that it provides Interexchange Carriers with a much greater assurance that they will receive net switched access rate reductions compared to current rates since the starting point for competition between TCG and the ILEC will be the then-current switched access rates. It also provides a market-based incentive for the ILEC to reduce the RIC, and to reform its rates in an economically rational manner. This market incentive will lead to superior results compared to arbitrary cost reallocations or prescriptive rate reductions.

What is more, the Colorado Solution has already proved itself in the marketplace. As I mentioned during our meeting, TCG was able to negotiate a reduction of the RIC in its

interconnection negotiations with a few ILECs. In the limited geographic areas where TCG's negotiated RIC reduction applies, TCG is presently offering tandem switched access at rates which are 6 percent less than the ILEC's tandem-routed rates (i.e., carrying the traffic from POP-to-customer premises, for all rate elements). Several interexchange carriers are already beginning to take advantage of the TCG offering. If the FCC were to adopt the Colorado Solution, even greater rate reductions would be available in most jurisdictions through competition, not prescription, and CLECs would have a strong incentive to deploy the facilities necessary for effective local exchange competition more quickly and more broadly.

Please call me at (908) 392-2160 if you would like to discuss this matter further or to arrange an additional meeting. If you would like a copy of the Colorado decisions, I would be happy to provide them. If I am unavailable, please contact Manning Lee, TCG's Vice President for Regulatory Affairs at 718-355-2671.

Sincerely,

Robert C. Atkinson

Bob Atkinson

TCG

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Senior Vice President
Legal, Regulatory & External Affairs

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429 Ridge Road
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Email: atkinson@tcg.com

April 11, 1997

Tom Boasberg
Office of Chairman Hundt
Federal Communications Commission
1919 M Street, N.W., Room 814
Washington, D.C. 20554

EX PARTE CORRESPONDENCE

Dear Tom:

When I visited you on March 25, 1997, we discussed how reforming the Residual Interconnection Charge (RIC) is not only required by the Court of Appeals in its CompTel decision, but would be the most effective way for the FCC to encourage competitive pricing of a major element of switched access services as well as providing a "catalyst" for the development of facilities-based local exchange competition. During the discussion, I generally talked about "moving the RIC" from an End Office rate element to Tandem Switching or Tandem Transport rate elements. However, the last "bullet point" on the Residual Interconnection Charge page of TCG's handout suggested an alternative means of reaching the same pro-competition result:

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Robert C. Atkinson

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Senior Vice President
Legal, Regulatory & External Affairs

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Princeton Technology Center
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April 11, 1997

Mr. Dan Gonzalez
Office of Commissioner Chong
Federal Communications Commission
1919 M Street, N.W., Room 844
Washington, D.C. 20554

EX PARTE CORRESPONDENCE

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Dayton, NJ 08810
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April 11, 1997

Jim Coltharp
Office of Commissioner Quello
Federal Communications Commission
1919 M Street, N.W., Room 802
Washington, D.C. 20554

EX PARTE CORRESPONDENCE

Dear Jim:

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April 11, 1997

Jim Casserly
Office of Commissioner Ness
Federal Communications Commission
1919 M Street, N.W., Room 832
Washington, D.C. 20554

EX PARTE CORRESPONDENCE

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April 11, 1997

Regina Keeney
Chief, Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W., Room 500
Washington, D.C. 20554

EX PARTE CORRESPONDENCE

Dear Regina:

When I visited you on March 24, 1997, we discussed how reforming the Residual Interconnection Charge (RIC) is not only required by the Court of Appeals in its CompTel decision, but would be the most effective way for the FCC to encourage competitive pricing of a major element of switched access services as well as providing a "catalyst" for the development of facilities-based local exchange competition. During the discussion, I generally talked about "moving the RIC" from an End Office rate element to Tandem Switching or Tandem Transport rate elements. However, the last "bullet point" on the Residual Interconnection Charge page of TCG's handout suggested an alternative means of reaching the same pro-competition result:

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April 11, 1997

Kathy Franco
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W., Room 518
Washington, D.C. 20554

EX PARTE CORRESPONDENCE

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In a subsequent "Order Denying Applications for Rehearing, Reargument, or Reconsideration", (Decision No. C96-1344, Docket No. 96A-328T, adopted Dec. 18, 1996) the Colorado Commission said (at 5):

> c. .... If USWC does not provide any of the transport, it shall not, as stated in the Order, apply its RIC to such calls.
>
> We clarify the Order as to the application of the RIC. The RIC shall be applied on a pro rata basis determined from the proportional distance between the TCG tandem and end-office of USWC. In this instance, if USWC supplies all of the transport for the call, it would apply 100 percent of the RIC. If a mid-span meet-point is used, only one-half of the RIC would be applicable.

The chief advantage of the Colorado Solution, compared to a "move the RIC" solution, is that it provides Interexchange Carriers with a much greater assurance that they will receive net switched access rate reductions compared to current rates since the starting point for competition between TCG and the ILEC will be the then-current switched access rates. It also provides a market-based incentive for the ILEC to reduce the RIC, and to reform its rates in an economically rational manner. This market incentive will lead to superior results compared to arbitrary cost reallocations or prescriptive rate reductions.

What is more, the Colorado Solution has already proved itself in the marketplace. As I mentioned during our meeting, TCG was able to negotiate a reduction of the RIC in its

interconnection negotiations with a few ILECs. In the limited geographic areas where TCG's negotiated RIC reduction applies, TCG is presently offering tandem switched access at rates which are 6 percent less than the ILEC's tandem-routed rates (i.e., carrying the traffic from POP-to-customer premises, for all rate elements). Several interexchange carriers are already beginning to take advantage of the TCG offering. If the FCC were to adopt the Colorado Solution, even greater rate reductions would be available in most jurisdictions through competition, not prescription, and CLECs would have a strong incentive to deploy the facilities necessary for effective local exchange competition more quickly and more broadly.

Please call me at (908) 392-2160 if you would like to discuss this matter further or to arrange an additional meeting. If you would like a copy of the Colorado decisions, I would be happy to provide them. If I am unavailable, please contact Manning Lee, TCG's Vice President for Regulatory Affairs at 718-355-2671.

Sincerely,

Robert C. Atkinson

Bob Atkinson

TCG

Robert C. Atkinson
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April 11, 1997

Jane Jackson
Competitive Pricing Division
Federal Communications Commission
1919 M Street, N.W., Room 518
Washington, D.C. 20554

EX PARTE CORRESPONDENCE

Dear Jane:

When I visited you on January 21, 1997, we discussed how reforming the Residual Interconnection Charge (RIC) is not only required by the Court of Appeals in its CompTel decision, but would be the most effective way for the FCC to encourage competitive pricing of a major element of switched access services as well as providing a "catalyst" for the development of facilities-based local exchange competition. During the discussion, I generally talked about "moving the RIC" from an End Office rate element to Tandem Switching or Tandem Transport rate elements. However, the last "bullet point" on the Residual Interconnection Charge page of TCG's handout suggested an alternative means of reaching the same pro-competition result:

- If the RIC continues to be inappropriately assigned to the End Office, then as the Colorado Commission has mandated, ILECs should not be allowed to collect the RIC charges from facilities-based CLECs that provide their own switched access transport facilities

After discussions with a number of other interested parties, TCG has come to the conclusion that the "Colorado Solution" should be the means by which the FCC implements RIC reform.

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